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Self-regulation in Business

TIME HAS DEMONSTRATED that self-regulation is practicable in industry. It gives not only general betterment within the industry but also wins a satisfactory reaction from its patrons — the general public.

Most of our methods of doing business are the result of men's having confidence in one another. Though we all have faults, we are reasonably decent people, and we will do the basically good thing if we are given half a chance.

But men cannot be closely associated in business without a clashing of self-interest which gives rise to ethical problems. We occasionally run into the sinister doctrine of expediency, which sanctions such antisocial slogans as "might is right", and some rules are needed.

The word "ethics" may repel some people because they think of it as somehow applying to their religion and without a place in the hurly-burly of business life.

"Ethics" covers what has been found satisfactory in a way of doing business. It involves not only acts which are covered by the legal code but acts that are in the shadow land of unenforceable well-doing. It codifies in an outward way the inward sensation of rightness we feel about our contacts and dealings with other human beings.

Some people may think that ethical codes are fine for the professions but have no place in business. Without arguing at this point whether business is a profession, we can say that there is no reason for excluding professional standards from business. R. H. Tawney of Oxford said in his book *The Acquisitive Society* that business is as necessary as the professions and therefore as honourable, and "It should be at least equally bound by rules which have as their object to maintain the standards of professional service."

The importance of professionalism, or voluntary regulation, for business is that it offers a type of control that is intermediate between unrestrained competition and governmental regulation.

Telling right from wrong

The practicality of business ethics is illustrated in an earthy way by Harry Emerson Fosdick, author of *On*

Being a Real Person, in his lecture "Six Ways to Tell Right from Wrong": The test of common sense — should I say to myself, "Don't be silly!"? The test of sportsmanship — do I propose to abide by the rules of fair play? The test of our best selves — have I carried the decision up to my finest self? The test of publicity — what if everybody knew what I am proposing to do? The test of our most admired personality — what would he do under the circumstances? The test of foresight — where is this course of behaviour coming out?

Of course there is the law. A great many unethical business practices can be made to disappear by the simple expedient of passing and enforcing laws against them.

It is much more satisfying to be able to say "I did it because I ought" than "I did it because I was compelled."

Honesty in business may be actuated by policy, but that policy has come into good repute because many people believe it worth-while. Just as soon as honesty is adopted for the sake of greater profits it mysteriously ceases to be honesty.

Honesty is not the mere giving of the right change. In his *Offices*, Cicero outlined the notion of honesty under these heads: (1) Sagacious inquiry and observation for the finding out of truth; (2) Care to render to every man what is his due and to stand to one's words in all promises and bargains; (3) Keeping of our words and actions within due limits of order and decency.

Perhaps the surest test of an individual's integrity is his refusal to do or say anything that would damage his self-respect. The corner-stone of his value system is the question "What will I think of myself if I do this?"

There is a phrase which you come across in country districts in Ireland: "So-and-so has a Word." The adage "A man's word is as good as his bond" has vital meaning in today's business life.

Playing the game right

Competition is part of life, from the lowly amoeba

to the greatest created thing. Every plant and animal may be said to struggle for existence with those with which it contends for space, food, light and air. But on the high plane of living reached by human beings, the more severe the conflict of interest between people and the competition between firms, the more need there is for an ethical way of living and acting. To win is not enough. If we are to be happy and at peace within ourselves the game must be played right.

All too often business men are uncertain of the proper course to take. Their lofty ethical beliefs seem to be impeded by adverse pressures, including the fear that less scrupulous competitors will win the battle for survival. This is why progressive men and firms are more and more coming together to work out codes by which they can live.

Take advertising as an example. Most advertising is honest. Only a few persons are guilty of consistent and intentional deception. Responsible merchants who value public confidence and customer goodwill promote truth in advertising, and the media through which the advertisements are conveyed to the public are equally careful.

Reader's Digest of February 1964 told how advertising men laid down the Canadian Code of Advertising Standards, the first of its kind in this country and one of the first in the world.

The code, accepted by all the significant outlets in Canada, spells out minimum standards to which they subscribe. It has sections forbidding advertisements that deceive, offend public decency, prey on fear and superstition, exploit human misery, mislead in price comparisons, are false as to testimonials, distort the true meanings of professional or scientific authorities, fail to explain the exact scope of guarantees or imitate the advertisements of other firms so as to dupe the consumer. One clause says: "No advertisement shall be prepared, or be knowingly accepted, which would result in damage — physical, mental or moral — to children."

Every firm with a sense of duty to the public will diarize at least annually a review of its advertising, literature, labels and packaging to check whether they give customers a fair understanding of the true quality, quantity, price and function of its products.

"Let the buyer beware" is out of style except as the business slogan of those who offer shoddy merchandise to gullible customers in predatory stores.

Most of Canada's shoppers are women. Because they are anxious to get the best possible value for their money, some twenty thousand of them are members of the Canadian Association of Consumers, and another half million are members of organizations that support and participate in the Association's work.

These shoppers are not battling against great wrongs only. It is deadly easy for a manufacturer or a retailer to drift into minor infractions of what buyers think of

as ethical conduct. The slightest deviation will excite distrust quickly.

The public image

The shaping of business policies in accordance with socially accepted standards has become an imperative from the point of view of the business man's long-run interest. Goodwill is one of the most important assets of any business, and it is dependent basically on the confidence of the public: upon the image of itself that the business has built.

The plans and mechanics of business may resemble the equations and formulas of mathematicians, but this is illusory. The realities of business are not figures in a book but people. We have to pause periodically and listen to what is being said about us and our policies, to get first-hand contact with our people and find out what we have been overlooking. We need to imitate the artist who concealed himself behind his painting in a public place and listened to the criticism of passers-by.

Some may say that talk about ethics in business is away off base because business is different from private life. They hold to the doctrine of Machiavelli: that moral obligations upon ordinary men cannot bind princes. This disclaimer takes many forms of expression: survival of the fittest, law of the jungle, every man for himself, rugged individualism, or some other disguise for giving private avarice free rein no matter who is hurt.

It is necessary for every person to somehow reconcile the impersonal imperative of profit with the personal imperative of ethical living.

The Business Ethics Advisory Council in the United States said in 1962: "There is no intrinsic difference between business ethics and ethics in general. The moral standards that should govern man's behaviour ought to apply to his actions in business." It is the collective expression of the high ethical standards of the individual which is the foundation for the professional standards of men acting in groups.

There is no doubt that business men today are willing to acknowledge responsibilities, and are attempting to make their standards known and to put commerce on a high plane. Getting ahead in business can be entirely consistent with following the soundest and most ethical rules for successful living.

This may sound like a glittering generality, but many businesses have worked out specific codes of ethics based upon it. They have accepted the idea of stewardship, acknowledging that they are servants of society. They are, through these codes, developing the ideal of the unity of service which has for so long guided the professions.

It is true that there is a difference in responsibility. The professional man is responsible to himself; the business manager is responsible to his stockholders. But both have an overriding responsibility to the public.

Business touches the lives and welfare of every per-

son, young and old, and must be conducted with the welfare of these people in view.

Today's business men are more concerned than their predecessors about their social responsibility, and they are not altogether altruistic. Business is acting in its own long-run interest when it takes note of what society demands of it. At whatever price, business must consider and accept public values, lest it should provoke the state to assert itself in laws and domination. It needs to serve society better than alternative systems.

The men who are at the top in business concerns must walk with their heads held high, thinking greatly of their functions. What a company does may be viewed in corporate terms, but the decisions about what to do and how to do it are made by individuals within their own minds. Executives know that power can never be used without caution and that there are other values than profit maximization. They know, in an old phrase, that the first duty of a noble is nobility, and that *noblesse oblige* is as appropriate a motto for today's managerial elite as it was for the French patrician class.

In company with others

An individual business travelling alone is likely to find this a hard road, but a business in association with others of like mind can make headway. This is why we find so many business associations seeking to standardize practices on a high level by voluntary united effort.

It is in the context of like-minded groups that the individual obtains a measure of himself and the satisfaction of his personal acceptance by others. He becomes more adequate and gains a sense of importance beyond his own job.

Every firm within a voluntary association is a unit, seeking its own prosperity, but the business of the association is conducted in harmony with general principles conducive to the welfare of all. If one member thinks that a change ought to be made, he has the right and duty to argue for his opinion, but if he cannot convince the majority he must turn his energies toward making the favoured policy succeed.

That is the secret of success of any association for self-regulation. No executive of a business firm can be expected to know all sides of any important issue without hearing the views of other executives in the same line of activity. The short-run effects of a policy on his own business may appear appealing, but the long-run effects on his class of business — the secondary consequences — may be bad.

The trade association movement is a conscious effort to secure collective action on the part of all classes of men in industry. Starting in a small way, trade associations develop into professional associations setting standards. They do not make Procrustean beds. When Procrustes seized a passer-by, the traveller was fitted to a bed. If he was too long, his legs were cut down to size; if too short, he was stretched to fit.

Trade associations are not courts of inquisition but groups of people who think alike about interests connected with their activities and agree together to use their unity and bond of interest for mutual benefit.

It is through the collective action of these trade associations that ethical structures in business are being reared. The principles behind their effort might be summarized in axioms enunciated many years ago: (1) That I ought to promote my own greater good rather than my own lesser good; (2) That I ought to promote the greatest good on the whole; (3) That, in the distribution of good, I ought, so far as my action can secure it, to regard one man's good as being equally valuable with the like good of another. These have been called the axioms of Prudence, Rational Benevolence, and Equity.

To act in this way requires co-operation. There must be a certain congruity between the conduct of each member of an association and the conduct of others.

Ideal conduct is not possible for the ideal man in the midst of men otherwise constituted. Among people who are treacherous and without scruple, truthfulness and openness would bring ruin. That is why so many men of vision and principle are earnest in propagating associations for self-regulation of businesses. The man who does not co-operate with his associates and competitors in their effort to raise standards, enforce right dealing and prevent unfair practices, is ethically recreant.

There may be the keenest competition for trade among association members, yet along with this competition there can exist a cordial spirit of co-operation, every member realizing that the higher interests of his business are of vital concern to him individually.

No universal code

Some people may be disappointed to find that, although the subject has been discussed for more than two thousand years, the debate does not seem to have produced any established system of truths comparable to those of mathematics and the natural sciences. There is no handbook to which we can turn for an answer to every business behaviour problem.

There are, however, a few fundamental rules of conduct that have never changed, and probably never will change so long as we continue our chosen way of living. These are being taken and applied to the varying conditions governing conduct in different businesses, not as collections of platitudes but as guides for self-regulation.

The association codes reflect the basic good intentions of those who frame them. They are ethics formulated in the light of function. They become rules for conduct when they have been accepted as proper and fitting.

A code may be accepted because of several motives, singly or in combination. An executive may believe that the rule sets forth the best, simplest or most certain way

of attaining what he wants. He may know that a rule has a sanction and be afraid of the consequences of breaking it. He may sincerely desire to conform to the code, to do the thing everyone else is doing.

Human nature is so complex that paper plans may not be worth the price of the paper unless they are reinforced by sanctions. There may be need of machinery for enforcement and punishment for violation. As R. P. Smith says colourfully in *Where Did You Go?*: "When I was a kid, we did the business of drawing a line on the ground and if a kid wanted to fight he had a choice: to step over the line or not. There it was. No more argle-bargle, step over the line and POW! Or stay on your side of the line."

A professional standard

It is customary when talking about ethics outside the realm of individual behaviour to think first about the professions. Every profession has its own problems of personal conduct, and its code prescribes the duties of the whole group toward those outside the group. Acceptance of the code is a declaration of the members' faith for all the world to know.

Doctors, engineers, lawyers, teachers, nurses, civil servants, architects, and many others have professional codes. The ministry, as a body of men dedicated to a certain life and service, has very rigid standards by which men are pledged and their conduct is tested.

The attempt of business groups to co-ordinate their responsibilities, relating the individual to the group and the group to the public, is an important advance toward the professional standard.

But can free men work together voluntarily to create high ethical standards in business? That was the question when the first Better Business Bureau opened its doors under another name in 1912. The Montreal Bureau was the first to operate outside the United States and the first to do business in more than one language. During the past year the ten Better Business Bureau units in Canada performed about a quarter-million instances of service to the public and to business.

This is not a censorship organization, but an association designed to minimize complaints through voluntary observance by business of reasonable and workable standards of practice in advertising and selling. These standards were adopted by business itself.

The standard dealt with by the Better Business Bureau goes far beyond the question of what is lawful to what is fair and decent. The purpose is to act as a positive force in business for democratic self-determination and self-regulation in the public interest.

Specifically, the Bureau seeks to eliminate the causes of customer complaints against business by preventing unfair treatment, promoting fair advertising and selling practices, and prosecuting fraud. The Bureau, a non-

profit-making corporation, devotes itself to the job of building public confidence in Canada's business system, and it is maintained solely by business itself. It cooperates with law enforcement agencies, but is not itself part of the legal machinery.

Some business examples

Another illustration, this time of an agency within a single business, is the Audit Bureau of Circulations. Some years ago it was difficult for an advertiser to learn with certainty the circulation of a newspaper or magazine. The media got together, spelled out the principle that the advertiser should be able to tell what he was getting in the way of distribution and area coverage when he bought space in a publication. They established a system of measurement and a code of fair dealing which is held up as being exemplary.

The motion picture industry was still a curiosity in 1900, but within ten years some cities were imposing censorship. In 1924 the makers of movies passed a resolution to discourage the purchase of questionable books and plays as source material. A code based on moral principles was adopted in 1930.

Responsible radio officials have recognized their duty to the general public. Networks and stations have codes applicable to their situation. The Canons of Journalism of the American Society of Newspaper Editors declares: "A journalist who uses his power for any selfish or otherwise unworthy purpose is faithless to a high trust." Public accountants have a code of professional conduct recognizing a moral responsibility to clients and to third parties who place reliance on financial statements with which the accountants' names are associated. The Canadian Construction Association, speaking for all branches of construction, has the slogan: "Capacity, Skill, Integrity." The Investment Dealers' Association of Canada has since 1916 voluntarily imposed on members a strict code of business ethics.

Or forfeit freedom

These are merely indicative of the trend, which is clear to all who are willing to look. There are forces at work which can recreate the purposes of commerce, set high standards for the conduct of industry, and give professional status to business. The associations recognize that we must have responsible self-regulation or forfeit freedom.

By "responsible" is meant capability to distinguish right from wrong and accountability for actions taken and not taken.

The greatest of faults is to be conscious of none. It is not noble to wait until we are forced into action, nor is it efficient. By that time we have lost control of the situation. Business is showing itself wise in this regard. If it cannot at once achieve the maximum imaginable, it is, through its associations of self-regulation, determined to consolidate the minimum attainable.